

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at Council Chamber, County Hall, Lewes on 22 November 2024.

PRESENT Councillors Colin Swansborough (Chair), Gerard Fox (Vice Chair), Matthew Beaver, Stephen Holt, Philip Lunn and Georgia Taylor

LEAD MEMBERS Councillor Nick Bennett

ALSO PRESENT Ros Parker, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Russell Banks, Chief Internal Auditor
Nigel Chilcott, Audit Manager
Simon White, Audit Manager – Counter Fraud
Nigel Brown – Assistant Director – Property

Andy Conlan, Grant Thornton UK LLP
Joanne Brown, Grant Thornton UK LLP
Parris Williams, Grant Thornton UK LLP
Ella Connick, Grant Thornton UK LLP

24. MINUTES OF THE PREVIOUS MEETING

24.1 The Committee RESOLVED to agree the minutes of the meeting held on 20 September 2024 as a correct record.

25. APOLOGIES FOR ABSENCE

25.1 Apologies for absence were received from Councillor Milligan.

25.2 It was noted that Councillor Kirby-Green was in attendance as a substitute for Councillor Milligan.

25.3 It was noted that Councillor Beaver sent apologies for the beginning of the meeting and was present from 10:15 at item 6 (minute 30).

26. DISCLOSURES OF INTERESTS

26.1 Councillor Beaver declared a personal interest in item 15 (exempt information in support of item 11). He did not consider this to be prejudicial. Details of this declaration are set out in an exempt minute.

27. URGENT ITEMS

27.1 There were none.

28. REPORTS

28.1 Reports referred to in the minutes below are contained in the minute book.

29. INTERNAL AUDIT PROGRESS REPORT - QUARTER 2 (01/07/24 - 30/09/24)

29.1 The Committee considered a report by the Chief Operating Officer which set out the internal audit and counter fraud activity completed during quarter 2.

29.1 The Committee discussed the emerging risk of multiple employment and the work being undertaken to mitigate this risk including strong line-management of individuals, strong recruitment controls and work with the National Fraud Initiative.

29.3 The Committee RESOLVED to:

1) note the report and confirm that there is no further action required in response to the issues raised; and

2) confirm that there are no further emerging risks for consideration for inclusion in the audit plan.

30. AUDIT COMMITTEE ORACLE SUBGROUP UPDATE

30.1 The Committee considered a report by the Chief Operating Officer which set out a summary of the discussion at the recent meeting of the Committee's Oracle Subgroup along with a progress update regarding the Oracle Implementation Programme.

30.2 The Committee discussed the organisational capacity required to achieve the proposed 1 April 2025 go-live for phase 2 of the programme and suggested that staff initiatives are considered when extra capacity is required.

30.3 The Committee noted that the Oracle implementation programme is within the budget planned for phase 2 and noted the budget risk if implementation of phase 2 was delayed.

30.4 The Committee RESOLVED to note that the Committee's Oracle Subgroup has regularly reviewed the Council's Oracle Implementation programme.

31. REVIEW OF ANNUAL GOVERNANCE REPORT & 2023/24 STATEMENT OF ACCOUNTS

31.1 The Committee considered a report by the Chief Finance Officer which provided an update on the external auditor's audit finding report.

31.2 Andy Conlan from Grant Thornton UK LLP (GT) gave an update to the Committee highlighting that all outstanding matters have been resolved, GT is satisfied with the final set of statements and expect to issue an unqualified audit opinion after this meeting of the Audit Committee, on receipt of a signed management letter of representation.

31.3 The Committee were informed that the statements received by GT were of good quality and the finance team were responsive to GT's requests to progress the audit. The Committee were also provided a summary regarding the change to approach for the valuation of schools, slight change to GT's audit risk scoping to no longer include investment properties and adjustment of the statements regarding the misclassification of the Oracle asset in development.

31.4 The Committee noted that GT have made two control recommendations regarding Gross Internal Areas (GIA) and Land Areas records, and regarding cut off error in insurance claim income recognition. The Committee also noted that there were two recommendations from the 2022/23 audit, one of which has been implemented and the other was not relevant to 2023/24.

31.5 The Committee noted that an issue raised by GT regarding information technology has previously been raised and considered by the Committee in 2019. A management response to the issue is being drafted for inclusion within the current report, which will be considered by the Committee at its next meeting.

31.6 The Committee were informed that there will be a delay in the certification of closure of the accounts due to the National Audit Office conducting some further work regarding all government accounts however this delay will not affect sign-off of the accounts and provision of an audit opinion.

31.7 The Committee noted the audit fees for the 2023/24 audit at £279,996 and noted the work that had been undertaken by GT and the Council for this audit to be completed on time in the face of a national audit backlog.

31.8 The Committee RESOLVED to:

1) note the report and its appendices; and

2) note that there are no concerns arising from the Independent Auditor's (GT) report or the management response to it, that need to be brought to the attention of the Governance Committee.

32. REVIEW OF ANNUAL PENSION FUND GOVERNANCE REPORT & 2023/24 STATEMENT OF ACCOUNTS

32.1 The Committee considered a report by the Chief Finance Officer which provided an update of the external auditor's draft audit findings report which was approved by the Pension Committee on 21 November 2024.

32.2 Parris Williams from Grant Thornton UK LLP (GT) gave an update to the Committee highlighting that the quality of accounts was of good quality and consistent with prior years, a small number of findings were identified including testing of level 3 investments misstatements, which were not material, were due to the passage of time between valuation when management pull together accounts and the valuation when accounts are being audited by GT.

32.3 The Committee discussed the issues around testing of level 3 investments and misstatements and noted that GT were satisfied that there are no underlying control issues leading to misstatements.

32.4 The Committee RESOLVED to note the draft Independent Auditor's report to those charged with governance of the East Sussex Pension Fund Accounts 2023/24.

33. AUDITOR'S ANNUAL (VALUE FOR MONEY) REPORT ON EAST SUSSEX COUNTY COUNCIL 2023/24

33.1 The Committee considered a report by the Chief Finance Officer which presented the External Auditor's report on the County Council's Value for Money arrangements.

33.2 Andy Conlan from Grant Thornton UK LL (GT) highlighted that a significant risk was identified under financial sustainability and GT have made key recommendation in line with the overall risk to continue ongoing actions to mitigate the financial sustainability risk in the medium and long term by raising the challenges in all appropriate forums, developing further savings plans and continue conversations regarding funding and reform at national level.

33.3 The Committee noted the two minor recommendations regarding the format of the risk register for the East Sussex Pension Fund and strengthening contract management and reporting on individual contracts.

33.4 The Committee discussed how the role of audit can help central government to realise the funding pressures and financial sustainability challenges that East Sussex County Council and other councils nationally are facing and noted that local authority annual Value for Money reports are reported to the National Audit Office and published highlighting to the Ministry of Housing, Communities and Local Government the increase of significant risk identified across the sector.

33.5 The Committee discussed the unpredictable demand challenges faced by East Sussex County Council and other councils nationally leading to overspend in certain areas within the sector which cannot be accounted for when budgeting.

33.6 The Committee noted that although there was a significant risk identified regarding financial sustainability, the report highlights the Council's strong governance, efficiency and value for money.

33.7 The Committee RESOLVED to note the Auditor's Annual (Value for Money) Report on East Sussex County Council 2023/24, prior to being reported to Cabinet.

34. TREASURY MANAGEMENT - STEWARDSHIP REPORT 2023/24 AND MID-YEAR REVIEW 2024/25

34.1 The Committee considered a report by the Chief Finance Officer which presented a review of the Council's performance on Treasury Management for the year 2023/24 and Mid-Year Review for 2024/25.

34.2 The Committee noted that the Council undertook no new borrowing and under-borrowing in totality meaning borrowing is taking place internally rather than from the Public Works Loan Board which would see higher interest rates.

34.3 The Committee RESOLVED to note the Treasury Management performance in 2023/24, incorporating the Mid-Year Review for the first half of 2024/25.

35. ANNUAL UPDATE ON THE COUNCIL'S PROPERTY ASSETS

35.1 The Committee considered a report by the Chief Operating Officer which provided an update on the Asset Management Plan 2020-2025 together with exempt information contained in a later agenda item.

35.2 The Committee were informed about the work undertaken to assess assets and their uses and the strategy followed for disposing of assets identified as being surplus to Council requirements along with work to maximise use of assets including the Council's largest operational asset, County Hall, which is in the process of being mothballed to allow for maximum efficiency of space and exploration of external letting opportunities.

35.3 The Committee RESOLVED to note the report.

36. WORK PROGRAMME

36.1 The Committee considered its current work programme of forthcoming items.

36.2 The Committee noted that a planning session is scheduled for the Audit Committee on 23 January 2025 to ensure that the Internal Audit Strategy and Plan for 2025/26 considers suggestions from the Committee and to provide training regarding the role of Internal Audit.

36.3 The Committee RESOLVED to agree that a planning session to include Internal Audit training, suggestions for the 2025/26 Internal Audit Plan be included on the Committee's Work Programme.

37. EXCLUSION OF THE PUBLIC AND PRESS

37.1 It was RESOLVED to exclude the public and press for the remaining agenda items on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

38. ANNUAL UPDATE ON THE COUNCIL'S PROPERTY ASSETS - EXEMPT INFORMATION

38.1 The Committee considered a report by the Chief Operating Officer which provided exempt information in relation to an earlier item on the agenda regarding the Asset Management Plan 2020-2025.

38.2 A summary of the discussion is set out in an exempt minute.

38.3 The Committee RESOLVED to note the exempt report which provided exempt information in relation to an earlier item on the agenda.

The meeting ended at 11.46 am.

Chair